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cc: David Low, NIO/Econ
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Letter from Kenneth Dalton, US Department of Labor
to Honorable David Mulford, US Department of
Treasury (copy)

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U.S. Department of Labor

Bureau of Labor Statistics
441 G Street, N.W.
Washington, D.C. 20212



JUN 7 1985

Honorable David Mulford
Assistant Secretary for
International Affairs
Department of the Treasury
Washington, D.C. 20220

Dear Mr. Mulford:

Enclosed is an estimate of the U.S. export price index for merchandise purchased by OPEC. Between December 1984 and March 1985, export prices of U.S. nonmilitary goods purchased by OPEC increased 0.1 percent. This estimate, which refers to nonmilitary goods, is calculated for the 1980 market basket of U.S. exports to OPEC.

During the first quarter, modest price increases for machinery and transportation equipment, which accounts for approximately 50 percent of the index, and miscellaneous manufactured articles offset price declines in the remaining four broad product categories. The most significant price decreases were recorded in the crude materials and food areas where prices fell 4.6 and 1.3 percent, respectively. More modest price decreases were registered for chemicals and intermediate manufactured products.

Our estimate of the change in prices of U.S. exports to OPEC from June 1973—a time just prior to the large oil price increases of 1973—to March 1985 shows an increase of 105.2 percent based on the 1980 market basket. Similarly, for the year ended March 1985, our estimate shows an increase of 0.5 percent.

These data are described as estimates, in part, because there is no program to collect prices specifically for transactions with OPEC; therefore, the price data used in these calculations do not necessarily refer to U.S. transactions with OPEC. The price data used to prepare these estimates have been assembled from two separate sources: (1) U.S. export prices to the world collected by the Bureau of Labor Statistics (BLS) and (2) U.S. domestic industrial price indexes classified into export product categories not covered by (1).

Honorable David Mulford--2

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This transmittal also includes price indexes of U.S. imports of crude oil from all sources, from OPEC, and from non-OPEC sources as a group. These indexes are calculated from f.o.b. foreign port crude oil transaction prices obtained from the Department of Energy. A description of the methodology employed in the calculation of these indexes is available on request.

If you have any questions concerning these estimates, please contact Ms. Katrina Reut, Chief of the Division of International Prices, on 272-5025.

Sincerely yours,

KENNETH V. DALTON
Associate Commissioner
Prices and Living Conditions

Enclosure

Trend of Estimated U.S. Export Prices* to OPEC Weighted by U.S. Exports to OPEC in 1980 Compared with U.S. Crude Oil Import Price Indexes (June 1977=100)**

	Index of Estimated U.S. Export Prices to OPEC	Index of U.S. Import Prices of Crude Oil		
		Imports from All Countries	Imports from OPEC	Imports from Non-OPEC Countries
June 1967	59.3	-----	8.3	-----
June 1968	59.3	-----	8.3	-----
June 1969	60.3	-----	8.3	-----
June 1970	62.8	-----	8.3	-----
June 1971	65.1	-----	11.1	-----
June 1972	66.9	-----	12.1	-----
June 1973	74.5	-----	14.3	-----
Jan. 1974	84.8***	-----	78.0	-----
June 1974	87.1	-----	78.0	-----
Mar. 1975	93.9	-----	85.5	-----
June 1975	93.6	-----	85.5	-----
Sep. 1975	94.0	-----	85.5	-----
Dec. 1975	94.8	-----	92.0	-----
Mar. 1976	95.0	91.6	92.0	90.5
June 1976	96.8	91.9	92.2	91.1
Sep. 1976	96.8	92.5	92.8	91.7
Dec. 1976	97.0	94.0	94.0	94.1
Mar. 1977	98.8	99.7	99.7	99.7
June 1977	100.0	100.0	100.0	100.0
Sep. 1977	100.8	102.5	102.6	101.9
Dec. 1977	105.8	102.2	102.4	101.7
Mar. 1978	105.8	101.6	101.8	101.2
June 1978	106.9	101.1	101.2	100.7
Sep. 1978	107.2	101.1	101.3	100.7
Dec. 1978	109.8	102.1	102.3	101.8
Mar. 1979	112.6	110.1	110.1	110.2
June 1979	116.8	135.2	134.8	136.3
Sep. 1979	120.1	165.5	164.7	167.9
Dec. 1979	123.0	184.5	183.9	186.5
Mar. 1980	127.1	232.9	232.5	234.2
June 1980	128.4	244.0	244.3	243.1
Sep. 1980	132.6	247.3	247.4	247.1
Dec. 1980	136.7	252.6	253.5	250.1
Mar. 1981	140.2	272.9	272.5	274.2
June 1981	142.4	267.6	269.4	262.2
Sep. 1981	143.7	261.3	265.4	248.9
Dec. 1981	145.2	262.1	265.6	251.7
Mar. 1982	146.1	257.2	262.5	240.9
June 1982	146.8	253.8	260.0	234.9
Sep. 1982	146.9	253.2	259.0	235.6
Dec. 1982	147.4	252.0	257.5	235.2
Mar. 1983	147.9	224.7	229.8	209.5
June 1983	148.2	219.9	224.3	206.4
Sep. 1983	150.3	218.5	222.3	207.2
Dec. 1983	150.4	218.6	221.9	208.4
Mar. 1984	152.1	217.6	220.8	208.0
June 1984	153.3	218.5	221.6	209.0
Sep. 1984	152.7	216.5	219.6	207.3
Dec. 1984	152.8	212.4	215.0	204.2
Mar. 1985	152.9	206.5	209.2	198.6

Trend of Estimated U.S. Export Prices* to OPEC—Continued

Percent change in estimated index
of U.S. export prices to OPEC

<u>from</u>	<u>to</u>	
6/73	3/85	105.2
1/74	3/85	80.3
12/82	12/83	2.0
3/83	3/84	2.8
6/83	6/84	3.4
9/83	9/84	1.6
12/83	12/84	1.6
3/84	3/85	0.5
12/84	3/85	0.1

* Contains domestic U.S. producer price indexes for some product categories. The definitions and methodology are taken from Edward E. Murphy and Jorge F. Perez-Lopez, "Trends in U.S. Export Prices and OPEC Oil Prices," Monthly Labor Review (November 1975), with the exception that in lieu of the weighting scheme which they applied, here the full OPEC value weight is assigned to each SITC for which BLS has prices.

** Indexes for crude petroleum prices have been calculated from data collected by the Department of Energy.

*** Calculated by apportioning the June 1973 to March 1974 change of export prices according to the June 1973 to January 1974 and January 1974 to March 1974 changes in corresponding components of the PPI.

Source: U.S. Department of Labor
Bureau of Labor Statistics
Washington, D.C. 20212
May 1985